

Ex 20 - CAH_MDL2804_03262274-2520

Plaintiffs' Opposition to Defendants' Motion for Summary Judgment on Proximate Causation Grounds

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DEA: Anti-diversion Educational Tools/Programs for Customers

- Increased focus on educating customer pharmacists on detecting potential diversion and understanding their corresponding responsibility required under the regulations to ensure that prescriptions are filled for a legitimate medical purpose.
- Provided educational materials to pharmacy customers (both community and chain)
- Provided multiple live Pharmacy Continuing Education courses to retail independent pharmacy customers at our Annual National Retail Business Conference (RBC) sales meeting (July 2012)
- Working closely with customers to engage with them when potential issues are identified



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DEA: Continuing Areas of Focus Going Forward

- High volume customers – focus on volume regardless of pharmacy's patient base or the prescriptions' seeming legitimacy
- Large chain customers – can't rely on the controls of large, publicly traded chains; will also conduct our own due diligence
- Changing nature of diversion – drug abuse continually shifting
 - Today = Oxycodone; Tomorrow?
 - Today = Florida; Tomorrow?
- DEA's approach presents challenges unlike other regulators:
 - Enforcement mindset leads to:
 - Less engagement with industry
 - Limited guidance or notice
 - In response, we are engaging with former DEA attorneys and consultants, as well as attempting to obtain informal guidance from local offices



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CARDINAL HEALTH CONFIDENTIAL

To: Cardinal Health Audit Committee of the Board of Directors

From: Craig Morford

Date: October 31, 2012

Subject: Quarterly Update – Q1 FY13
Ethics and Compliance Program
Enterprise Risk Management

Q1 FY13 Ethics and Compliance Program update

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Audit Committee of the Board of Directors
Quarterly Update – Q1 FY13
October 31, 2012
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- Enterprise Risk Management:

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Appendix B - Board of Directors Enterprise Risk List

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Board of Directors November 2012

Enterprise Risk List

Appendix B

Risk Name	Risk Description	Risk Owner	Mitigation	Oversight	Date First Addressed with Board	Date Last Addressed with Board	Status Update	Strategy Alignment
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DEA Regulatory Action	Risk of DEA regulatory action and/or disruption at Cardinal Health facilities.	Craig Morford/ Mike Kaufmann	<ul style="list-style-type: none"> Suspicious order monitoring program staffed by experienced pharmacists Know your Customer program Advanced analytics to drive focused customer visits Focused approach re: higher risk areas (e.g., Florida) Business continuity – back up DEA and state licensure DEA meetings – attend and monitor 	Quality Council	Nov-10	Nov-12 (Audit Committee)	Corporate Audit verified the mitigation process presented to the Board and confirmed that based on the review procedures performed the mitigation plans have been implemented as communicated to the Board of Directors.	Operational Generics Ambulatory Care

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Board of Directors November 2012

Enterprise Risk List

Appendix B

Risk Name	Risk Description	Risk Owner	Mitigation	Oversight	Date First Addressed with Board	Date Last Addressed with Board	Status Update	Strategy Alignment
DEA Regulatory Action (cont'd)							Update: On February 3, 2012, the DEA issued an immediate suspension / show cause order against the controlled substances registration for the Cardinal Health distribution center in Lakeland, Florida. Cardinal Health is pursuing legal avenues to challenge the action and has implemented business continuity plans.	
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ITEM 10
GENERAL COUNSEL UPDATE



CARDINAL HEALTH CONFIDENTIAL

October 26, 2012

Cardinal Health Audit Committee
Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017

Dear Audit Committee Members:

We are pleased to provide you with this report of lawsuits and claims.

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Please do not hesitate to call me if you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Steve".

Stephen T. Falk
EVP, General Counsel & Secretary

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**2(a). Lakeland, Florida Distribution Center DEA Investigation
(Pharmaceutical Segment)**

- **Brief Description:** U.S. Drug Enforcement Agency ("DEA") investigation of controlled substance procedures and processes at the Company's Lakeland distribution center with respect to Florida pharmacies, including CVS chain stores.

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- **Matter History:** In October 2011, DEA issued a Warrant for Inspection to our Lakeland distribution facility and collected records relating to the distribution of controlled substances from the facility, including information on particular customers that had purchased the largest amounts of oxycodone from August 2010 through May 2011. In November, DEA served an administrative subpoena requesting additional records. In connection with this matter, Cardinal Health ceased distribution of controlled substances to some pharmacy customers.

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On February 3, 2012, DEA served the Company's Lakeland facility with an immediate suspension order ("ISO") of the facility's DEA registration and an Order to Show Cause why the facility's DEA registration should not be revoked. The Company was granted a TRO to the ISO by the U.S. District Court for the District of Columbia, which was then dissolved on February 29 when the Court denied the Company's preliminary injunction motion. On March 2, the U.S. Court of Appeals for the District of Columbia Circuit granted an administrative stay to the ISO, which was dissolved on March 16 when the appellate court denied the Company's motion for a stay for the duration of the appeal.

On May 14, 2012, Cardinal Health and the DEA reached a settlement in this matter. The terms of the settlement include an agreed-upon two-year suspension of the Lakeland facility's controlled substance registration, a release from DEA administrative claims (e.g. license suspensions) for all Company distribution facilities for prior acts, and agreed-upon enhancements to our anti-diversion system. The settlement does not include a monetary component, although the DEA expressly reserved the right to seek potential civil fines through referrals to U.S. Attorneys' offices.

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3(a). Shareholder Derivative Litigation (Corporate)

- **Brief Description:** Shareholder derivative lawsuits alleging breach of fiduciary duties in connection with DEA proceedings.

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- Matter History: In May and June 2012, three shareholder derivative lawsuits were filed in Ohio state and federal courts against certain of the Company's current and former directors and officers ("Defendants") in connection with the DEA's proceedings against Cardinal Health in 2007-2008 and 2011-2012. In all three cases, plaintiffs allege that Defendants breached their fiduciary duties by failing to adequately monitor the Company's efforts, to cause the Company to implement an adequate system of controls, and to prevent diversion of controlled substances, thereby causing the Company to incur expenses and other harm in connection with the defense and resolution of the two DEA proceedings. Motions to dismiss have been filed in all three cases.

3(b). DEA/AUSA Civil Penalty Referrals (f/k/a Baltimore MSI Subpoenas) (Pharmaceutical Segment)

- Brief Description: Inquiries by AUSA offices regarding controlled substance distributions following Lakeland DEA investigation and settlement.

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- Matter History: On July 20, 2010, Cardinal Health received a subpoena from DEA requesting certain records related to the distribution of controlled substances to four Medicine Shoppe franchisees in the Baltimore area. On March 30, 2012, the Company received two more subpoenas requesting information relating to two prescribing physicians and five stores (three retail independent stores and two CVS stores) to which Cardinal Health distributed controlled substances. The DEA also asked to interview employees from the Company's compliance and sales groups. Based on statements made by the DEA during the settlement of the Lakeland DEA investigation, and discussions with the Assistant U.S. Attorney managing the case, we now understand that the Baltimore AUSA will be seeking a financial penalty for the alleged failures to report suspicious orders. We met with the DEA and the Baltimore AUSA on July 17, 2012, during which we learned of the activity of three other U.S. Attorney's offices along similar lines.

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4. EXISTING MATTERS WITHOUT SIGNIFICANT DEVELOPMENTS

4(a). State of West Virginia vs. Cardinal Health, Inc. (Pharmaceutical Segment): Suit by West Virginia Attorney General relating to controlled substance distributions in the State of West Virginia.

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ITEM 11
AUDIT COMMITTEE MATTERS

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ITEM 12
AUDIT COMMITTEE SESSIONS ALONE

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CARDINAL HEALTH CONFIDENTIAL

To: The Audit Committee of the Board of Directors
From: Craig Morford, Chief Legal and Compliance Officer
Date: October 26, 2012
Subject: Reports involving VPs and above and other significant cases

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